

**Stable margins and improving asset quality to drive steady growth in H2FY26.**

**CMP: INR 1,337**

**Rating: Buy**

**Target Price: INR 1,618**

**Stock Info**

BSE	532174
NSE	ICICIBANK
Bloomberg	ICICIBC IN
Reuters	ICBK.BO
Sector	Banks
Face Value (INR)	2
Equity Capital (INR Bn)	14
Mkt Cap (INR Bn)	10,265
52w H/L (INR)	1,494 / 1,187
Avg Yearly Vol (in 000')	10,840

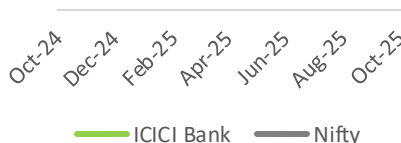
**Shareholding Pattern %**

(As on Sept, 2025)

Promoters	NIL
Public & Others	100

Stock Performance (%)	3m	6m	12m
ICICI Bank	-2.5	0.9	14.1
Nifty 50	6.3	2.5	-3.6

**ICICI Bank Vs Nifty 50**



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ICICI Bank has reported mixed set of numbers for Q2FY26. Net Interest Income in line with our estimates, while PAT comes above our estimates. Net Interest Income for Q2FY26 stood at INR 215.3 bn against our estimates of INR 215.4 bn, down by 0.49% QoQ / up by 7.39% YoY. PPOP came in at INR 173.0 bn vs estimate of INR 176.8 bn, down 7.72% QoQ & up by 3.44% YoY. Provisions stood at INR 9.1 bn against our estimates of INR 14.5 bn down by 49.62% QoQ & 25.87% YoY. PAT stood at INR 123.6 bn against our estimates of INR 121.7 bn down by 3.21% QoQ / up by 5.22% YoY. GNPA came at 1.58% down 9 bps QoQ / 39 bps YoY against our estimates of 1.66% while NNPA was at 0.39% against our estimates of 0.41% down 2 bps QoQ / 3 bps YoY. Deposits increased to INR 16,128.2 bn, up 0.27% QoQ / 7.68% YoY. Advances increased to INR 14,084.6 bn, up 3.25% QoQ / 10.27% YoY.

**Healthy Loan Growth with Diversified Portfolio Mix:** The Bank achieved broad-based loan growth across segments. The domestic loan portfolio grew 10.6% YoY and 3.3% QoQ, while the overall loan book, including international, rose 10% YoY. Business banking remains the growth driver with a 24.8% YoY and 6.5% QoQ increase, signaling traction in the SME and mid-corporate segment. The retail book, forming 42.9% of total loans, grew 6.6% YoY, led by mortgages (+9.9%), credit cards (+6.4%), and commercial vehicles (+6.4%). This diversified structure, along with a prudent approach to unsecured personal loans, positions the bank well for sustainable growth as demand accelerates in FY26 amid macro recovery.

**Operational Discipline with Controlled Cost Growth:** Operating expenses increased 12.4% YoY, largely due to festive marketing spends and branch expansion; however, employee expenses grew modestly at 5% YoY. The cost-to-income ratio remains manageable given the consistent growth in fee income, which increased 13.2% YoY (non-interest income INR 73.56 billion). The bank's focus on operating leverage through technology, efficiency in branch network utilization, and rational expense growth ensures profitability remains intact even as investments continue in growth initiatives.

**Strong Asset Quality and Conservative Provisions:** The net NPA ratio improved to 0.39% from 0.42% YoY. Gross NPA additions declined sequentially to INR 50.34 Bn Vs INR 62.45 Bn in Q1FY26, reflecting controlled slippages and strong recoveries. The PCR stands high at 75%, while contingency provisions of INR 131 Bn (0.9% of total advances) provide a strong buffer ahead of ECL implementation. The annualized credit cost remains at ~40 bps, providing disciplined risk management. This strong credit profile provides visibility of stable earnings and low volatility, even under regulatory transitions or macro stress.

**Valuation & View:** ICICI Bank maintained a strong and stable performance in Q2 FY26 with steady growth across key areas and healthy asset quality. Margins are expected to remain largely range-bound, aided by stable funding costs and disciplined pricing. Asset quality continues to be strong supported by additional contingency provisions. Bank's subsidiaries continue to contribute meaningfully to consolidated performance. Management remains confident about sustaining mid-teen growth momentum, led by improving macro indicators and increased distribution reach. **We maintain our Buy ratings on the stock with a revised target price of INR 1,618, based on basis with the bank valued at 1.90x FY28E P/ABV for the standalone bank.**

Particulars (INR bn)	FY24	FY25	FY26e	FY27e	FY28e
NII	718	825	873	954	1,033
PAT	409	472	509	562	620
BV (Rs)	319	371	468	556	876
ABV (Rs)	304	356	452	539	852
P/ABV (x)	4.1	3.4	3.0	2.5	1.6
ROE (%)	16.6	15.6	17.2	17.2	18.2
ROA (%)	2.4	2.4	2.3	2.3	2.3
PCR (%)	74.1	75.5	77.0	77.0	78.0

## Q2FY26 - Quarterly Performance (Standalone)

Income Statement (INR Bn.)	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
Interest Income	418	429	405	-2.8%	3.0%
Interest Expense	202	213	205	-5.1%	-1.3%
<b>Net Interest Income</b>	<b>215</b>	<b>216</b>	<b>200</b>	<b>-0.5%</b>	<b>7.4%</b>
Non Interest Income	76	85	72	-10.9%	5.6%
<b>Total Income</b>	<b>291</b>	<b>301</b>	<b>272</b>	<b>-3.4%</b>	<b>6.9%</b>
Employee Costs	43	47	41	-8.5%	5.0%
Other Operating Expenses	75	67	64	12.3%	17.3%
Operating Expenses	118	114	105	3.6%	12.4%
<b>Pre-Provision Profit</b>	<b>173</b>	<b>187</b>	<b>167</b>	<b>-7.7%</b>	<b>3.4%</b>
Provisions	9	18	12	-49.6%	-25.9%
<b>Profit Before Tax</b>	<b>164</b>	<b>169</b>	<b>155</b>	<b>-3.2%</b>	<b>5.8%</b>
Tax Expense	40	42	37	-3.3%	7.5%
<b>Net Profit</b>	<b>124</b>	<b>128</b>	<b>117</b>	<b>-3.2%</b>	<b>5.2%</b>
<b>Balance Sheet Analysis</b>					
Deposits	16,128	16,085	14,978	0.3%	7.7%
CASA (%)	37.7%	41.2%	40.6%	-352bps	-296bps
Advances	14,085	13,642	12,772	3.2%	10.3%
Total Assets	21,363	21,238	19,769	0.6%	8.1%
Capital Adequacy Ratio (%)	16.00%	16.00%	15.35%	0bps	65bps
<b>Spread Analysis</b>					
Cost of Deposits (%)	4.64%	4.85%	4.88%	-21bps	-24bps
NIM (%)	4.30%	4.34%	4.27%	-4bps	3bps
<b>Asset Quality</b>					
Gross NPA	2,38,497	2,47,330	2,71,212	-3.6%	-12.1%
Net NPA	58,270	59,710	56,851	-2.4%	2.5%
GNPA (%)	1.58%	1.67%	1.97%	-9bps	-39bps
NNPA (%)	0.39%	0.41%	0.42%	-2bps	-3bps
<b>Key Ratios</b>					
Cost to Income Ratio (%)	40.57%	37.80%	38.57%	276bps	199bps
C/D Ratio (%)	87.33%	84.81%	85.28%	252bps	205bps
RoA (%) (annualized)	2.33%	2.44%	2.40%	-11bps	-7bps

Source: Arianth Research, Company Filings

**Q2FY26 Concall Highlights**

Sequential loan growth is expected to sustain into H2FY26, particularly in retail and business banking. NIMs are expected to remain range-bound over the next few quarters, supported by reduced deposit costs and stable funding. Asset quality remains strong, with no major stress areas identified in retail or corporate portfolios. CASA market share is expected to sustain, driven by digital platforms, distribution expansion, and synergies with ICICI Direct's 3-in-1 offering. No major impact is expected from IT sector employment trends on its salaried account base.

**Business growth**

- Domestic loan book expanded 10.6% YoY and 3.3% QoQ, stronger growth compared to the 1.5% QoQ rise in Q1FY26.
- Retail loans grew 6.6% YoY, forming 42.9% of the total portfolio including non-fund-based exposure.
- Business banking loans surged 24.8% YoY and 6.5% QoQ, continuing as a high-growth segment.
- Corporate portfolio grew modestly by 3.5% YoY and 1% QoQ. Overseas loans accounted for only 2.3% of the total book.
- Average deposits grew 9.1% YoY and 1.6% QoQ, and CASA deposits increased 9.7% YoY. LCR remained strong at 127%.

**Credit Quality and Provisions**

- Net NPA ratio improved to 0.39% in Q2FY26 from 0.41% in Q1FY26 and 0.42% in Q2FY25. Gross NPA additions were INR 50.34 Bn, lower than INR 62.45 Bn in Q1FY26. Net NPA additions stood at INR 13.86 Bn, less than half of the previous quarter.
- PCR remained strong at 75%, and contingency provisions totaled INR 131 Bn, ~0.9% of total advances.
- Total provisions during Q2 were INR 9.14 Bn, translating to 0.26% of average advances and 5.4% of core operating profit.
- Annualized credit cost for H1FY26 was 40 bps. Retail and rural NPA additions declined 21.9% QoQ.

**Subsidiary Performance**

- ICICI Life Insurance posted PAT of INR 6.01 Bn in H1FY26, up from INR 4.77 Bn YoY and INR 2.99 Bn in Q2FY26 as compared to INR 2.52 Bn in Q2FY25; its VNB margin improved to 24.5%.
- ICICI General Insurance PAT increased to INR 8.2 Bn from INR 6.94 Bn YoY, despite a combined ratio of 105.1%.
- ICICI AMC reported PAT of INR 8.35 Bn, while ICICI Securities PAT was INR 4.25 Bn, down from INR 5.29 Bn YoY.
- ICICI Home Finance PAT rose to INR 2.03 Bn, Vs INR 1.83 Bn YoY.

**Other Highlights**

- Mortgage portfolio grew 9.9% YoY, and credit cards rose 6.4% YoY, strong retail traction.
- Auto loans remained largely flat QoQ and grew 1.4%, while personal loans declined 0.7% YoY but improved 1.4% QoQ as disbursements picked up.
- The builder portfolio stood at INR 635.83 Bn (4.1% of the total loan book) with only 1.3% of exposure rated BB and below or classified as NPAs.
- The NBFC and HFC exposure reduced from INR 874.17 Bn in Q1FY26 to INR 794.33 Bn, now at 4.4% of advances.
- CET-1 ratio remained strong at 16.35%, and total capital adequacy ratio stood at 17%, including H1FY26 profits.
- RBI risk-weight and ECL guidelines as net positive, given their high provisioning and capital buffers.

## Key Financials

Profit & Loss Statement (Rs. Bn)	FY24	FY25	FY26E	FY27E	FY28E
<b>INTEREST EARNED</b>	<b>1,428.9</b>	<b>1,632.6</b>	<b>1,727.2</b>	<b>1,853.8</b>	<b>1,980.0</b>
Interest/Discount on advances/Bills	1,109.4	1,264.0	1,274.6	1,360.4	1,442.9
Income from Investment	286.3	329.8	414.1	450.3	488.8
Interest on Balances with RBI & Others	17.9	21.6	11.7	12.9	14.2
Others	15.2	17.2	26.7	30.2	34.1
<b>INTEREST EXPENDED</b>	<b>685.9</b>	<b>821.0</b>	<b>854.3</b>	<b>899.3</b>	<b>946.8</b>
<b>Net Interest Income (NII)</b>	<b>743.1</b>	<b>811.6</b>	<b>872.8</b>	<b>954.5</b>	<b>1,033.2</b>
OTHER INCOME	229.6	285.1	322.9	357.7	404.4
<b>TOTAL INCOME</b>	<b>972.6</b>	<b>1,096.7</b>	<b>1,195.7</b>	<b>1,312.2</b>	<b>1,437.6</b>
Employee Expenses	151.4	165.4	154.8	168.7	182.2
Other Operating Expenses	239.9	258.3	316.0	347.5	382.3
Operating Expenses	391.3	423.7	470.7	516.2	564.5
<b>OPERATING PROFIT</b>	<b>581.3</b>	<b>673.0</b>	<b>725.0</b>	<b>796.0</b>	<b>873.1</b>
PROVISIONS	36.4	46.8	57.3	59.8	60.7
<b>Profit Before Tax (PBT)</b>	<b>544.9</b>	<b>626.2</b>	<b>667.7</b>	<b>736.2</b>	<b>812.4</b>
PROVISIONS FOR TAXES	136.0	153.9	158.2	174.5	192.5
<b>PAT</b>	<b>408.9</b>	<b>472.3</b>	<b>509.5</b>	<b>561.7</b>	<b>619.9</b>

Balance Sheet (INR Bn)	FY24	FY25	FY26E	FY27E	FY28E
<b>Assets</b>					
<b>Cash &amp; Bank balances</b>	897	1,199	1,165	2,448	3,504
Bal. with banks and money at call & short notice	502	656	722	794	874
Advances	11,844	13,418	14,292	14,965	15,999
Investments	4,619	5,048	5,708	6,300	6,562
Fixed Assets	109	128	122	129	137
Other Assets	744	733	859	945	1,039
<b>TOTAL ASSETS</b>	<b>18,715</b>	<b>21,182</b>	<b>22,868</b>	<b>25,582</b>	<b>28,116</b>
<b>Equity &amp; Liability</b>					
Total Paid-Up Capital	14	14	14	14	14
RESERVES & SURPLUS	2,356	2,886	3,317	3,946	4,146
ESOPs	14	21	23	25	28
DEPOSITS	14,128	16,103	16,552	18,185	19,980
BORROWINGS	1,250	1,235	1,646	1,866	2,131
OTHER LIABILITIES & PROVISIONS	953	923	1,316	1,546	1,817
<b>TOTAL LIABILITIES</b>	<b>18,715</b>	<b>21,182</b>	<b>22,868</b>	<b>25,582</b>	<b>28,116</b>

Source: Arianth Research, Company Filings

Ratios	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth rates</b>					
Advances (%)	16.16%	13.29%	6.52%	4.7%	6.9%
Deposits (%)	19.65%	13.98%	2.78%	9.9%	9.9%
Total assets (%)	18.1%	13.2%	8.0%	11.9%	0.0%
NII (%)	19.60%	9.23%	7.54%	9.4%	8.2%
Pre-provisioning profit (%)	18.42%	15.77%	7.73%	9.8%	9.7%
PAT (%)	28.19%	15.50%	7.88%	10.3%	10.4%
<b>Balance sheet ratios</b>					
CASA (%)	42.18%	47.50%	51.31%	51.69%	52.08%
Advances/Total assets (%)	63.29%	63.34%	62.50%	58.50%	56.91%
<b>Operating efficiency</b>					
Cost/income (%)	40.23%	38.64%	39.37%	39.34%	39.27%
<b>Profitability</b>					
NIM (%)	4.70%	4.34%	4.14%	4.14%	4.04%
RoA (%)	2.37%	2.37%	2.31%	2.32%	2.31%
RoE (%)	18.72%	17.92%	16.35%	15.41%	15.27%
<b>Asset quality</b>					
Gross NPA (%)	3.27%	3.51%	3.46%	3.70%	3.76%
Net NPA (%)	0.85%	0.86%	0.79%	0.79%	0.73%
PCR (%)	74.00%	75.50%	77.27%	78.74%	80.58%
<b>Per share data / Valuation</b>					
EPS (INR)	58.22	66.30	71.52	78.86	130.54
BVPS (INR)	337.44	407.14	467.72	555.92	876.15
ABVPS (INR)	323.14	391.87	451.96	539.40	851.56
P/E (x)	22.97	20.17	18.69	16.95	10.24
P/BV (x)	3.96	3.28	2.86	2.41	1.53
P/ABV (x)	4.14	3.41	2.96	2.48	1.57

Source: Arianth Research, Company Filings

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REDUCE	-5% to -12%
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